



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BELL COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
BELL COUNTY
JOAN ASHER CAWOOD, COUNTY CLERK
CALENDAR YEAR 1998
FEE AUDIT

We have completed our audit of the Bell County Clerk's statement of receipts, disbursements and excess fees for calendar year 1998 and have issued an unqualified opinion. It appears that the financial transactions of Bell County Clerk's office were properly accounted for taken as a whole.

In addition, we tested for compliance with state laws and regulations. We noted the following issue relating to compliance with state laws and regulations:

- The Clerk Should Have A Written Agreement To Protect Deposits

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jennifer Jones, Bell County Judge/Executive
Honorable Joan Asher Cawood, Bell County Clerk
Members of the Bell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Bell County Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have A Written Agreement To Protect Deposits

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
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Honorable Joan Asher Cawood, Bell County Clerk
Members of the Bell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 31, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 31, 2000

BELL COUNTY
JOAN ASHER CAWOOD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services	\$	13,404
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Fiscal Court		49,335
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	534,906
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Usage Tax		1,565,351
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Tangible Personal Property Tax		1,093,683
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Lien Fees		4,093
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Licenses-

Fish and Game		10,348
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Marriage		12,514
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Occupational		545
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Deed Transfer Tax		20,529
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Delinquent Tax		94,988
		3,336,957

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	10,475
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Real Estate Mortgages		18,428
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Chattel Mortgages and Financing Statements		55,807
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Powers of Attorney		1,058
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All Other Recordings		26,412
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Charges for Other Services-

Candidate Filing Fees		4,160
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Copywork		9,412
		125,752

Other:

Refunds	\$	16,218
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Cold Check Redeposits		2,587
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Miscellaneous		3,747
		22,552

Interest Earned		5,044

Gross Receipts (Carried Forward)	\$	3,553,044
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BELL COUNTY
 JOAN ASHER CAWOOD, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Brought Forward) \$ 3,553,044

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 427,038	
Usage Tax	1,518,140	
Tangible Personal Property Tax	386,224	

Licenses-

Fish and Game	10,307	
Delinquent Tax	19,371	
Legal Process Tax	19,499	
Candidate Filing Fees	<u>2,730</u>	\$ 2,383,309

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 114,184	
Delinquent Tax	12,918	
Deed Transfer Tax	19,509	
Occupational Licenses	634	
Election Expense Refund	<u>1,130</u>	148,375

Payments to Other Districts:

Tangible Personal Property Tax	\$ 549,619	
Delinquent Tax	<u>33,685</u>	583,304

Payments to Sheriff 6,353

Payments to County Attorney 15,445

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries	\$ 196,041	
Extra Help	747	

Employee Benefits-

Employer's Share Social Security	<u>17,858</u>	<u>214,646</u>
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Operating Disbursements (Carried Forward) \$ 3,351,432

The accompanying notes are an integral part of the financial statement.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the County Clerk securing the Clerk's interest in the collateral.

Note 4. Grants

- a) The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$9,120. Funds totaling \$5,220 were received during calendar year 1998. Interest earned during calendar year 1998 totaled \$50. There were no grant expenditures during calendar year 1998. Therefore, the unexpended grant balance is \$5,270 as of December 31, 1998.
- b) The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,493. The balance of the account at December 31, 1997, was \$97. Funds totaling \$97 were expended during calendar year 1998. Therefore, the grant balance was zero as of December 31, 1998.

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COMMENT AND RECOMMENDATION

BELL COUNTY
JOAN ASHER CAWOOD, BELL COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

The County Clerk Should Have A Written Agreement To Protect Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of April 8, 1998, the County Clerk had bank deposits of \$318,054; FDIC insurance of \$100,000; and collateral pledged or provided of \$1,642,578. Even though the County Clerk obtained sufficient collateral of \$1,642,578, there was no written agreement between the County Clerk and the depository institution, signed by both parties, securing the County Clerk's interest in the collateral. We recommend the County Clerk enter into a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response:

No response.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

- The clerk did not have a written agreement with the bank to secure deposits in excess of FDIC coverage.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Jennifer Jones, Bell County Judge/Executive
Honorable Joan Asher Cawood, Bell County Clerk
Members of the Bell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bell County Clerk as of December 31, 1998, and have issued our report thereon dated July 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bell County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Clerk Should Have A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Jennifer Jones, Bell County Judge/Executive
Honorable Joan Asher Cawood, Bell County Clerk
Members of the Bell County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 31, 2000

